

Purchasing Managers' Index[®]
MARKET SENSITIVE INFORMATION
EMBARGOED UNTIL 1000 (CET) / 0900 (UTC) 19 February 2021

IHS Markit Flash Eurozone PMI[®]

Eurozone service sector weakening cushioned by manufacturing gains

Key findings:

- Flash Eurozone PMI Composite Output Index⁽¹⁾ at 48.1 (47.8 in January). 2-month high.
- Flash Eurozone Services PMI Activity Index⁽²⁾ at 44.7 (45.4 in January). 3-month low.
- Flash Eurozone Manufacturing PMI Output Index⁽⁴⁾ at 57.5 (54.6 in January). 4-month high.
- Flash Eurozone Manufacturing PMI⁽³⁾ at 57.7 (54.8 in January). 36-month high.

Data collected February 11-18

Eurozone business activity fell for a fourth successive month in February, driven lower by a further slump in the service sector as virus-related restrictions continued to affect many businesses. The service sector downturn was offset, however, by faster manufacturing growth, led by Germany. Business expectations also improved to the highest for nearly three years as companies looked ahead to vaccine roll-outs allowing an easing of restrictions.

Rising price pressures were evident, however, as surging demand for raw materials led to near-record supply constraints, driving manufacturing input prices up at a rate not seen for almost ten years.

The headline flash IHS Markit Eurozone Composite PMI[®] edged higher from 47.8 in January to 48.1 in February. By remaining below 50.0, the latest reading indicated a fourth consecutive monthly contraction of business activity, but also registered a slight easing in the rate of decline compared to January.

Despite the rise in the PMI, the average reading of 47.9 for the first quarter so far is marginally lower than the average of 48.1 seen in the fourth quarter

IHS Markit Eurozone PMI and GDP



of last year. The sustained downturn therefore hints at a further deterioration in the economy as measures to control the coronavirus disease 2019 (COVID-19) pandemic continue to disrupt business activity across the region.

Importantly, however, the last four months have seen the PMI remain far higher than during the initial months of the pandemic in the spring of last year, suggesting that the economic impact of the second wave of virus infections has so far been much less severe than during the first wave.

The deterioration in output was driven by the service sector, where activity fell at the fastest rate since November, registering the second-steepest fall since last May largely in response to COVID-19 related restrictions. Steepening declines were seen in Germany and France, though the rest of the region as a whole reported some cooling in the downturn compared to January.

In contrast to the further weakening of service sector activity, manufacturing output growth accelerated to the fastest since October, and the second-fastest in three years, buoyed by surging inflows of news business. Especially strong manufacturing growth was again recorded in

Germany, though France also saw production return to modest growth after a brief hiatus in January and the rest of the eurozone enjoyed the strongest factory production gains since last August.

The strength of its manufacturing sector meant overall business activity rose in Germany, although at 51.3 (up only modestly from 50.8 in January) the composite index registered only a marginal expansion due to the offsetting impact of weaker services.

At 45.2, down from 47.7, the equivalent composite index for France meanwhile signalled the steepest deterioration since November due to the faster service sector downturn. Business activity also declined across the rest of the eurozone as a whole, albeit at a reduced rate.

The stronger growth of eurozone manufacturing output occurred despite increasingly widespread shortages of inputs, demand for which continued to outstrip supply in many cases. The amount of inputs bought by manufacturers rose at the sharpest rate for just over three years, putting further pressure on supply chains. February consequently saw supplier delivery times lengthen to the greatest extent since survey data were first available in 1997 with the exception of last April, when global factory closures hit supply lines. Record supply delays were reported in Germany.

Surging demand and constrained supply contributed to a further marked rise in prices during the month. Average prices paid for inputs by manufacturers rose at a rate not seen since April 2011, in turn feeding through to the steepest rise in prices charged at the factory gate since May 2018.

A more modest rise in costs was seen in the service sector, where weak demand encouraged further discounting and pushed average rates charged lower for a twelfth successive month.

Measured overall, average rates charged for both goods and services were unchanged, contrasting with the declines seen over the prior 11 months.

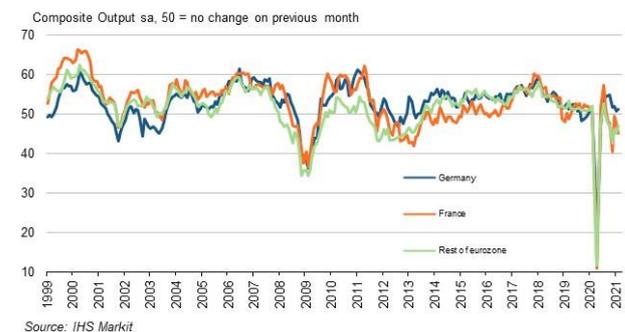
A further drop in backlogs of work meanwhile meant employment across the eurozone fell for a twelfth straight month. Job losses in the service sector outweighed a modest return to hiring in manufacturing, which saw headcounts rise for the first time since April 2019.

Employment rose modestly in Germany and France, the latter reporting the largest rise for a year, while job losses continued across the rest of the region as a whole.

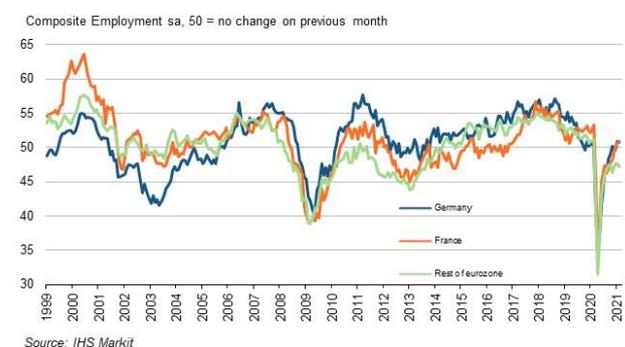
Finally, business expectations grew more optimistic in February. Sentiment regarding output in the coming 12 months rose to the highest since March 2018, improving in both manufacturing and services. Brighter prospects were primarily linked to hopes of successful vaccine roll-outs in the coming months.

The flash estimate is typically based on approximately 85% of the final number of replies received each month, covering all countries included in the final PMI readings. However, only national data for France and Germany are published.

Core v. Periphery PMI Output Indices



Core v. Periphery PMI Employment Indices



Comment

Commenting on the flash PMI data, Chris Williamson, Chief Business Economist at IHS Markit said:

“Ongoing COVID-19 lockdown measures dealt a further blow to the eurozone’s service sector in February, adding to the likelihood of GDP falling again in the first quarter. However, the impact was alleviated by a strengthening upturn in

manufacturing, hinting at a far milder economic downturn than suffered in the first half of last year. Factory output grew at one of the strongest rates seen over the past three years, thanks to another impressive performance by German producers and signs of strengthening production trends across the rest of the region.

“Vaccine developments have meanwhile helped business confidence to revive, with firms across the eurozone becoming increasingly upbeat about recovery prospects. Assuming vaccine roll-outs can boost service sector growth alongside a sustained strong manufacturing sector, the second half of the year should see a robust recovery take hold.

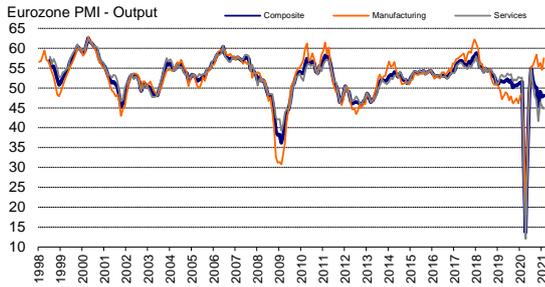
“One concern is the further intensification of supply shortages, which have pushed raw material prices higher. Supply delays have risen to near-record levels, leading to near-decade high producer input cost inflation. At the moment, weak consumer demand – notably for services – is limiting overall price pressures, but it seems likely that inflation will pick up in coming months.”

-Ends-

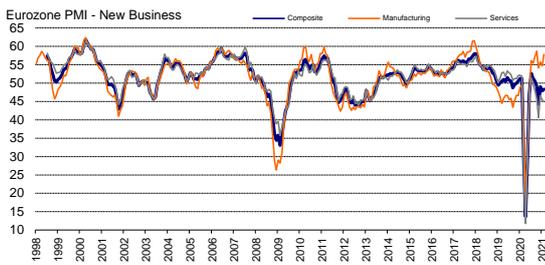
Summary of February data

Output	Composite	Modest decline in output.
	Services	Activity continues to fall sharply.
	Manufacturing	Steep and accelerated rise in production.
New Orders	Composite	New orders continue to fall.
	Services	Marked reduction in new business.
	Manufacturing	New order growth at four-month high.
Backlogs of Work	Composite	Sharper reduction in backlogs of work.
	Services	Outstanding business down for twelfth month in a row.
	Manufacturing	Marked accumulation of work-in-hand.
Employment	Composite	Rate of job cuts little-changed.
	Services	Slight reduction in employment.
	Manufacturing	Staffing levels rise for first time in 22 months.
Input Prices	Composite	Sharpest rise in input costs since November 2018.
	Services	Cost inflation remains relatively muted.
	Manufacturing	Input prices increase at fastest pace for almost a decade.
Output Prices	Composite	No change in output prices.
	Services	Modest decrease in charges.
	Manufacturing	Output price inflation at 33-month high.
PMI ⁽³⁾	Manufacturing	PMI at 36-month high of 57.7.

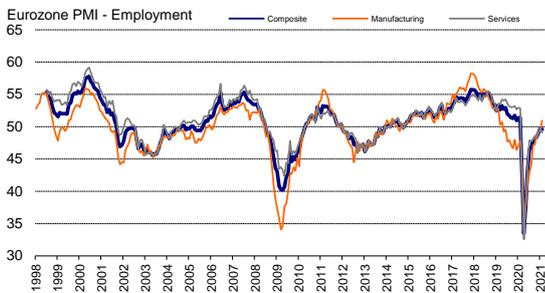
Output



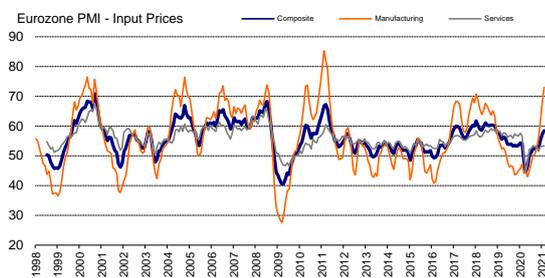
New business



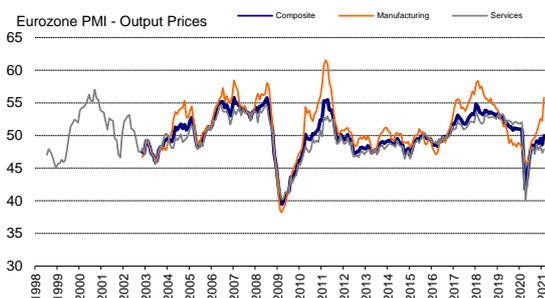
Employment



Input prices



Output prices



Source: IHS Markit.

For further information, please contact:

IHS Markit

Chris Williamson, Chief Business Economist
 Telephone +44-20-7260-2329
 Mobile +44-779-5555-061
 Email chris.williamson@ihsmarkit.com

Joanna Vickers, Corporate Communications
 Telephone +44 207 260 2234
 E-mail joanna.vickers@ihsmarkit.com

Note to Editors:

Final February data are published on 1 March for manufacturing and 3 March for services and composite indicators.

The Eurozone *PMI*[®] (*Purchasing Managers' Index*[®]) is produced by IHS Markit and is based on original survey data collected from a representative panel of around 5,000 companies based in the euro area manufacturing and service sectors. National manufacturing data are included for Germany, France, Italy, Spain, the Netherlands, Austria, the Republic of Ireland and Greece. National services data are included for Germany, France, Italy, Spain and the Republic of Ireland. The flash estimate is typically based on approximately 85%–90% of total *PMI* survey responses each month and is designed to provide an accurate advance indication of the final *PMI* data.

The average differences between the flash and final *PMI* index values (final minus flash) since comparisons were first available in January 2006 are as follows (differences in absolute terms provide the better indication of true variation while average differences provide a better indication of any bias):

Index	Average difference	Average difference in absolute terms
Eurozone Composite Output Index ¹	0.0	0.3
Eurozone Manufacturing <i>PMI</i> ³	0.0	0.2
Eurozone Services Business Activity Index ²	0.1	0.3

The *Purchasing Managers' Index*[®] (*PMI*[®]) survey methodology has developed an outstanding reputation for providing the most up-to-date possible indication of what is really happening in the private sector economy by tracking variables such as sales, employment, inventories and prices. The indices are widely used by businesses, governments and economic analysts in financial institutions to help better understand business conditions and guide corporate and investment strategy. In particular, central banks in many countries (including the European Central Bank) use the data to help make interest rate decisions. *PMI*[®] surveys are the first indicators of economic conditions published each month and are therefore available well ahead of comparable data produced by government bodies.

IHS Markit do not revise underlying survey data after first publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series. Historical data relating to the underlying (unadjusted) numbers, first published seasonally adjusted series and subsequently revised data are available to subscribers from IHS Markit. Please contact economics@ihsmarkit.com.

Notes

1. The Composite Output *PMI* is a weighted average of the Manufacturing Output Index and the Services Business Activity Index.
2. The Services Business Activity Index is the direct equivalent of the Manufacturing Output Index, based on the survey question "Is the level of business activity at your company higher, the same or lower than one month ago?"
3. The Manufacturing *PMI* is a composite index based on a weighted combination of the following five survey variables (weights shown in brackets): new orders (0.3); output (0.25); employment (0.2); suppliers' delivery times (0.15); stocks of materials purchased (0.1). The delivery times index is inverted.
4. The Manufacturing Output Index is based on the survey question "Is the level of production/output at your company higher, the same or lower than one month ago?"

About IHS Markit (www.ihsmarkit.com)

IHS Markit (NYSE: INFO) is a world leader in critical information, analytics and solutions for the major industries and markets that drive economies worldwide. The company delivers next-generation information, analytics and solutions to customers in business, finance and government, improving their operational efficiency and providing deep insights that lead to well-informed, confident decisions. IHS Markit has more than 50,000 business and government customers, including 80 percent of the Fortune Global 500 and the world's leading financial institutions.

IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates. All other company and product names may be trademarks of their respective owners © 2021 IHS Markit Ltd. All rights reserved.

About PMI

Purchasing Managers' Index[®] (*PMI*[®]) surveys are now available for over 40 countries and also for key regions including the eurozone. They are the most closely-watched business surveys in the world, favoured by central banks, financial markets and business decision makers for their ability to provide up-to-date, accurate and often unique monthly indicators of economic trends. To learn more go to <https://ihsmarkit.com/products/pmi.html>.

The intellectual property rights to the Flash Eurozone *PMI*[®] provided herein are owned by or licensed to IHS Markit. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without IHS Markit's prior consent. IHS Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall IHS Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. Purchasing Managers' Index[®] and *PMI*[®] are either registered trade marks of Markit Economics Limited or licensed to Markit Economics Limited. IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates.

If you prefer not to receive news releases from IHS Markit, please email katherine.smith@ihsmarkit.com. To read our privacy policy, [click here](#).